

After we heard testimony from the witnesses at our hearing, I was approached by a gentleman from the Bank of America, who shared with me the situation facing the dry and wet cleaning industry from the perspective of banks. He stated that the "severe and costly nature of environmental issues has virtually eliminated dry cleaners' access to conventional bank capital over the past seven to eight years." He pointed to one overwhelming reason: fear over liability as a result of contamination from perc and petroleum solvents.

I submit his letter for printing in the RECORD. However, I want to share with you the assessment by the Bank of America that financial institutions face because of these environmental risks. These include: (1) direct legal liability; (2) complete asset value loss; (3) partial asset value loss; and (4) indirect operation risk.

Mr. Speaker, it is quite obvious that the concerns of our nation's financial industry are serious enough to shy away from lending to a specific industry. But what is striking is the extent upon which the Bank of America is willing to share with Congress about why they will not lend to dry cleaners that use perc or petroleum based solvents.

What is encouraging is that the Bank of America, along with other lending institutions, such as the Central Carolina Bank, have determined that dry and wet cleaning processes that utilize carbon dioxide technology and other non-hazardous waste causing substances deserve financial backing. I am sure that other banks across the country have similar lending policies. Although I do not know specifically which one, I invite those banks to contact and confirm this with me. I, in turn, will share this information with my colleagues.

I want to reiterate the importance of this resolution. There is a need that must be met. We have an enormous number of dry and wet cleaning businesses in the United States that find it difficult to obtain financial backing from lending institutions because of environmental concerns. The reason I am offering this resolution, along with my colleagues, is that I believe the American public needs to be aware of this safer, environmentally sound dry and wet cleaning technology. There are options out there, and I encourage our financial institutions to work with our dry and wet cleaners to expand this new environmentally safe technology.

BANK OF AMERICA,
SMALL BUSINESS RISK MANAGEMENT,
Raleigh, NC, July 25, 2000.

Re H.R. 1303, the Environmental Dry Cleaning Tax Credit Act.

Hon. DONALD A. MANZULLO,
Member of Congress, Chairman, House Small Business Subcommittee on Tax, Finance, and Exports, Washington, DC.

DEAR CHAIRMAN MANZULLO: Thank you for speaking with me at last Thursday's post-hearing luncheon briefing. As I stated then, the severe and costly nature of environmental issues have virtually eliminated dry cleaners' access to conventional bank capital over the past 7-8 years. There is one overwhelming reason for this—chemical contamination from perchloroethylene and petroleum solvents.

The historical environment risk to banks of lending to dry cleaners can be broken down into four groups:

(a) *Direct Legal Liability*—Simply being in the chain of title after a foreclosure can create varying degrees of bank responsibility for funding property cleanups.

(b) *Complete Asset Value Loss*—The extent of contamination is often such that banks will

"walk away" from foreclosure and write off the entire asset value.

(c) *Partial Asset Value Loss*—Even if the bank is not liable for cleanup operations, or the cleanup is not so extensive to justify a complete loss, banks can only sell contaminated, foreclosed properties for a small fraction of what the appraised value was at loan origination—before the contamination! Banks must write off the difference.

(d) *Indirect Operational Risk*—Even if the bank is not taking a lien on real property, there is still a high risk due to the potential for significant unexpected expenses associated with dry cleaning operations. These expenses include spill clean-up costs, regulatory fines, operational interruption due to permit loss, and increased costs due to various employee health issues.

Regardless of how much better today's perchloroethylene or petroleum based dry cleaning machines are when compared to older machines, the risks noted above persist. While updated perchloroethylene and petroleum equipment may decrease the discharge of hazardous chemical solvents, they cannot eliminate them. Thus, banks will continue to avoid financing the equipment, the property on which they're located and the operator who uses them.

The complete elimination of the risks noted above by the CO₂ process would clearly be the single most important positive development in the relationship between banks and dry cleaners in over a decade. However, this does not mean that banks will immediately be welcoming back dry cleaners. The removal of the environmental bank risk due to hazardous solvents is replaced with the financial risk of high leverage due to the cost of the new CO₂ technology. Tax incentives such as those included in H.R. 1303 would significantly help to make this important new technology financially viable for dry cleaners and thus create a credit risk atmosphere acceptable to federally insured banks and banking regulatory agencies.

Bank of America is the leading lender to small businesses in the United States with \$6.8 billion in commercial loans to businesses with less than \$10 million in annual revenue. The average dry cleaner personifies what we would love to include in our portfolio—small, hard working, mostly family owned businesses with close ties to their communities. Legislation such as H.R. 1303 should allow these business owners to replace existing high interest loans, expensive leases, and less than desirable commercial locations with access to the conventional bank capital needed for commercial viability and sustainable long-term growth.

Sincerely,

JOSEPH C. BONNER,
Vice President, Small Business Risk Management, Commercial Credit Policy Development.

HONORING CANDACE GUYTON AND
BYRON C. SMITH

HON. MARTIN FROST

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 27, 2000

Mr. FROST. Mr. Speaker, today I congratulate Candace Guyton and Byron C. Smith, two Arlington, TX, teenagers whose artistic achievements earned them medals in a scholastic competition held at the NAACP national convention earlier this month.

Byron won a second-place silver medal and \$750 in scholarship money for his entry in the

film making-video category at the NAACP-sponsored Afro-Academic, Cultural, Technological and Scientific Olympics (ACT SO) competition. Byron beat out more than 20 other students from across the country with his three-minute documentary cartoon about Bill Pickett, a Texas cowboy who pioneered the process of "bulldozing."

Candace won a \$500 scholarship and a third-place bronze medal in the vocal contemporary music category. Not only did Candace demonstrate her tremendous vocal skills, but she performed an original song, "A Thing Called Love."

Congratulations again to Byron Smith and Candace Guyton and the proud parents of these wonderfully talented teenagers. Your tremendous achievements in Baltimore have made our North Texas community proud. Your success in the ACT SO competition is proof that you can succeed in anything you choose.

PERSONAL EXPLANATION

HON. ROBERT E. ANDREWS

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 27, 2000

Mr. ANDREWS. Mr. Speaker, on rollcall no. 255, I was unable to vote because of a family commitment. Had I been present, I would have voted "aye"; on rollcall no. 256, I was unable to vote because of a family commitment. Had I been present, I would have voted "aye"; and on rollcall no. 298, I was unable to vote because of a scheduling conflict. Had I been present, I would have voted "aye."

RECOGNIZING RICHARD SCHWARTZ

HON. MIKE THOMPSON

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 27, 2000

Mr. THOMPSON of California. Mr. Speaker, I rise today to recognize Richard Schwartz for the significant contributions he has made throughout the United States through his commitment to Goodwill Industries.

Richard Schwartz serves as a member of the Board of Governors of Goodwill Industries in Santa Clara County, CA, and has served on religious, organizational, and government boards in Boston, MA, and professional and health care organizations in New Jersey.

In addition to serving in the U.S. Army in Korea from 1953–1954, Richard has worked in interior design, insurance sales, and pharmaceuticals, and served as director of Government and Trade Operations and vice president of Customer and Industry Affairs for Syntex Laboratories Inc.

Richard Schwartz chaired the National Wholesale Druggist's Association health care awareness event and produced and co-directed a major health care conference at the University of Southern California Center of Excellence in Health Care Management.

Not only has Richard Schwartz served as a member of the board and chairman of the Government Affairs Committee of Goodwill and served Santa Clara County, but he also represented 13 communities throughout the State by serving on the Council of California